

September 19, 2003

Ref: 8ENF-T

CERTIFIED MAIL 7002-0860-0005-3834-8262
RETURN RECEIPT REQUESTED

The Corporation Company
Registered Agent for Rim Offshore, Inc.
1675 Broadway
Denver, Colorado 80202

Re: UNDERGROUND INJECTION
CONTROL (UIC)
Two Proposed Administrative Orders
and Opportunities to Request a Hearing

Dear Registered Agent for Rim Offshore, Inc:

The enclosed documents are two Proposed Administrative Orders and Opportunities to Request a Hearing (PAO) for violations of the Safe Drinking Water Act (SDWA). Please have Rim Offshore, Inc. (Rim) read these PAOs soon and carefully, since they describe Rim's rights and responsibilities in this matter as well as EPA's authority, the factual basis of the violations, and the background for the proposed penalties. Also enclosed is a copy of the Rules of Practice that govern these proceedings, the required Public Notices associated with these PAOs and, in case Rim meets the criteria, an information sheet about the Small Business Regulatory Fairness Act.

Any person who violates any requirement of the UIC program is subject to enforcement action under Section 1423 of the SDWA (40 U.S.C. Section 300h-2, et seq.). Enforcement may include administrative penalties of \$5,500 per day for each violation up to a maximum penalty of \$137,500 and civil penalties of up to \$27,500 per day for each violation and will mandate compliance with all provisions of the SDWA. In addition, if the violation is willful, the SDWA authorizes criminal prosecution in accordance with Title 18 of the United States Code.

Rim is required to take action in less than 30 days, to avoid the possibility of having a

Rim Offshore, Inc., Utah, U&O Reservation
Proposed Administrative Order- Page 1

default judgment entered against Rim that could impose the penalty amount in each PAO.

Whether or not Rim requests a hearing, we encourage informal conference with EPA concerning the alleged violations to try to negotiate a settlement. Rim may wish to appear at an informal conference and/or be represented by legal counsel. To arrange for such a conference, Rim should contact Jim Eppers, Enforcement Attorney, Legal Enforcement Program, at the number provided below. Request for such a conference does not extend the thirty (30) day period during which a request for hearing must be submitted.

Public Notice of EPA's PAO and the opportunity to provide written comments on the PAO is also being provided pursuant to Section 1423 (c)(3)(B) of the SDWA (42 U.S.C. Section 300h-2(c)(3)(B)). Any person who comments on the PAO has a right to participate in the hearing, if there is one.

If Rim has any technical questions relating to this matter, the person most knowledgeable person on my staff is Nathan Wiser, UIC Enforcement Team, Technical Enforcement Program, at (303) 312-6211. For all legal questions, the person most knowledgeable on my staff is Jim Eppers at (303) 312-6893. Mr. Wiser and Mr. Eppers can also be reached at the following address:

Nathan M. Wiser (Mail Code 8ENF-T)
U.S. EPA Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466, or

Jim Eppers (Mail Code 8ENF-L)
Enforcement Attorney
U.S. EPA Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466

We urge Rim's prompt attention to this matter.

Sincerely,

Michael T. Risner for/

Carol Rushin
Assistant Regional Administrator
Office of Enforcement, Compliance
and Environmental Justice

Enclosures:

Two Proposed Administrative Orders
and Opportunities to Request Hearing
40 C.F.R. Part 22
Two Public Notices
U.S. EPA Small Business Resources Fact Sheet

cc: Stephen Rector (with all enclosures)
Rim Offshore, Inc.
5 Inverness Drive East
Englewood, Colorado 80112

Maxine Natchees, Chairwoman (with U&O PAO enclosures)
Uintah and Ouray Business Committee

Elaine Willie, Environmental Coordinator (with U&O PAO enclosures)
Ute Indian Tribe

Harold Cuthair, Vice Chairman (with Ute Mtn. Ute PAO enclosures)
Ute Mountain Ute Tribe

Tom Rice, Director of Environmental Programs (with Ute Mtn. Ute PAO enclosures)
Ute Mountain Ute Tribe

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8**

<hr/>)	Docket No. SDWA-08-2003-0054
)	
Rim Offshore, Inc.)	PROPOSED ADMINISTRATIVE
5 Inverness Drive East)	ORDER AND OPPORTUNITY
Englewood, Colorado 80112,)	TO REQUEST A HEARING
)	
Respondent.)	
)	
Located on the Uintah & Ouray Indian)	
Reservation, Utah)	
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STATUTORY AUTHORITY

1. This is a civil administrative action issued under the authority vested in the Administrator of the U.S. Environmental Protection Agency ("EPA") by section 1423(c) of the Safe Drinking Water Act ("Act"), 42 U.S.C. § 300h-2(c). The Administrator has properly delegated this authority to the undersigned EPA official. This proceeding is governed by the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination or Suspension of Permits ("Consolidated Rules") set forth at 40 C.F.R. part 22, a copy of which is enclosed.

GENERAL ALLEGATIONS

2. All general allegations apply to and are incorporated by reference in each of the counts set forth in this Proposed Administrative Order ("Order"). Attachment A, which describes the violations alleged in this Order, is incorporated herein.

3. Rim Offshore, Inc., at all times pertinent hereto, is a corporation organized under the laws of the State of Texas authorized to do business in the State of Utah.
4. Section 1421 of the Act, 42 U.S.C. § 300h, authorizes EPA to promulgate regulations for underground injection control (“UIC”) programs setting forth minimum requirements to prevent underground injection which endangers regulated drinking water sources. EPA has promulgated such regulations at 40 C.F.R. parts 124, 144, 146, 147, and 148.
5. Pursuant to section 1422(e) of the Act, 42 U.S.C. § 300h-1(e), and 40 C.F.R. § 147.2253, EPA administers the UIC Program for all Class II wells on the Uintah & Ouray Indian Reservation in the State of Utah as of June 25, 1984.
6. Pursuant to section 1423(c)(2) of the Act, 42 U.S.C. § 300h-2(c)(2), the Administrator may issue to any person subject to and in violation of any requirement of any applicable UIC program a civil penalty of not more than \$5,500 for each day of violation for any past or current violation, up to a maximum administrative penalty of \$137,500, or requiring compliance with such regulation, or both.
7. Rim Offshore, Inc. (“Rim” or “Respondent”) is a "person" within the meaning of SDWA § 1401(12), 42 U.S.C. § 300f(12).
8. Class II injection wells defined at 40 C.F.R. § 144.3 and classified at 40 C.F.R. § 144.6(b) and 146.5(b) are wells used to emplace fluids underground (1) which have been brought to the surface in connection with oil and gas production (known as salt water disposal), or (2) for the purpose of enhancing oil recovery (known as enhanced recovery).

9. The applicable regulations for Class II wells are set forth at 40 C.F.R. parts 144 through 147.
10. Rim operates the following four Class II wells (Subject Wells), located on the Uintah & Ouray Indian Reservation within the State of Utah, that are subject to this Proposed Administrative Order and Opportunity to Request a Hearing:

Natural Duck #2-15 GR (aka Duck Creek #2-15 GR)

EPA Permit No. UT20731-03797, Effective May 23, 1994
Duck Creek Field
Enhanced Recovery Well
T9S, R20E, Section 15, SW/4 of the SW/4
Uintah County, Utah,

Natural Duck #5-16 GR (aka Duck Creek #5-16 GR)

EPA Permit No. UT20757-04237, Effective June 19, 1995
Duck Creek Field
Enhanced Recovery Well
T9S, R20E, Section 16, SW/4 of the SE/4
Uintah County, Utah,

Natural Duck #8-15 GR (aka Duck Creek #8-15 GR)

EPA Permit No. UT20879-04585, Effective May 25, 2001
Duck Creek Field
Enhanced Recovery Well
T9S, R20E, Section 15, SW/4 of the NW/4
Uintah County, Utah, and

Natural Duck #11-21 GR (aka Duck Creek #11-21 GR)

EPA Permit No. UT20823-04378, Effective August 28, 1997
Duck Creek Field
Enhanced Recovery Well
T9S, R20E, Section 21, NE/4 of the NW/4
Uintah County, Utah.

FINDINGS

A. Annual Monitoring Reports

11. The UIC regulations at 40 C.F.R. § 146.23(b) require operators of Class II enhanced recovery wells to, at a minimum, monthly observe injection pressure, flow rate and cumulative injection volume at each well and monthly record a value of each. The same regulations require operators of Class II salt water disposal wells to, at a minimum, weekly observe injection pressure, flow rate and cumulative injection volume at each well and monthly record a value of each.
12. The UIC regulations at 40 C.F.R. § 146.23(c) require operators of all Class II wells to, at a minimum, annually report to EPA the recorded values of injection pressure, flow rate and cumulative injection volume.
13. EPA UIC Permit No. UT2073 1-03797, EPA UIC Permit No. UT20757-04237, EPA UIC Permit No. UT20789-04585, and EPA UIC Permit No. UT20823-04378, each at part II(D)(1)(b), require the permittee (Rim) to observe and record values of injection pressure, annulus pressure, flow rate and cumulative injection volume at regular intervals no greater than monthly.
14. EPA UIC Permit No. UT2073 1-03797, EPA UIC Permit No. UT20757-04237, EPA UIC Permit No. UT20789-04585, and EPA UIC Permit No. UT20823-04378, each at part II(D)(4), require the permittee (Rim) to annually report the recorded monitoring information by February 15th of the year following each reporting year.
15. Failure to report injection pressure, annulus pressure, flow rate and cumulative injection

volume by February 15th of the year following each reporting year is a violation of 40 C.F.R. §§ 146.23(b) and (c) and EPA's UIC Permits Nos. UT20731-03797, UT20757-04237, UT20789-04585, and UT20823-04378.

16. During the times displayed in Attachment A, Rim failed to comply with annual monitoring reporting requirements required in the permits for the four subject Class II injection wells and therefore violated the Act.

B. Annual Fluid Samples

17. The UIC regulations at 40 C.F.R. § 146.23(b) require operators of all Class II to monitor the nature of the injected fluids at time intervals sufficiently frequent to yield data representative of their characteristics.
18. The UIC regulations at 40 C.F.R. § 146.23(c) require operators of all Class II wells to, at a minimum, annually report to EPA the results of fluid analysis monitoring.
19. EPA UIC Permits No. UT 20823-04378, UT20757-04237, and UT20731-03797 each at part II(D)(1)(a) require the permittee (Rim) to analyze the injected fluids for total dissolved solids, major ions, pH, specific gravity and specific conductivity at least annually, or whenever there is a change in the source of the disposed fluids. EPA UIC Permit No. UT20879-04585 at part II(D)(1)(a), requires the permittee (Rim) to analyze the injected fluids for total dissolved solids, pH, specific gravity and specific conductivity at least annually, or whenever there is a change in the source of the disposed fluids.
20. EPA UIC Permit Nos. UT20731-03797, UT20757-04237, UT20789-04585, and UT20823-04378, each at part II(D)(4), require the permittee (Rim) to annually report the

fluid analysis monitoring information by February 15th of the year following each reporting year.

21. Failure to report analysis of the injected fluids by February 15th of the year following each reporting year is a violation of the regulations at 40 C.F.R. §§ 146.23(b) and (c) and EPA's UIC Permits Nos. UT20731-03797, UT20757-04237, UT20789-04585, and UT20823-04378.
22. During the times displayed in Attachment A, Rim failed to comply with annual fluid analysis reporting requirements required in the permits for the subject Class II injection wells and therefore violated the Act.

C. Mechanical Integrity Testing

23. The UIC regulations at 40 C.F.R. § 146.23(b)(3) requires operators of all Class II injection wells to demonstrate a well's mechanical integrity, pursuant to 40 C.F.R. § 146.8 at least once every five years during the life of an injection well.
24. EPA UIC Permit No. UT20757-04237, at Part II(C)(2)(b), requires the permittee (Rim) to demonstrate the well's mechanical integrity pursuant to 40 C.F.R. § 146.8 by passing a standard annulus pressure test at least every five years.
25. Failure to demonstrate each well's mechanical integrity at least every five years is a violation of the regulations at 40 C.F.R. §§ 146.23(b)(3) and EPA's UIC Permit No. UT20757-04237.
26. During the times displayed in Attachment A, Rim failed to comply with mechanical integrity demonstration requirements required in the permit for one of the four subject

Class II injection wells and therefore violated the Act.

D. Reporting Losses of Mechanical Integrity

27. The UIC regulations at 40 C.F.R. § 144.51(q)(1) require operators to establish and thereafter maintain mechanical integrity at each permitted Class II injection well.
28. The UIC regulations at 40 C.F.R. § 144.51(l)(6) require operators to report any condition which may endanger an underground source of drinking water verbally within 24 hours of its discovery and in writing within five days of its discovery.
29. EPA UIC Permit No. UT20757-04237, at Part II(C)(2)(c), requires the permittee (Rim) to verbally notify EPA within 24 hours of discovery when a loss of mechanical integrity becomes evident during operation of the well, and to write a description of the loss of mechanical integrity to EPA within five days of the loss of mechanical integrity.
30. Failure to verbally report within 24 hours and report in writing within five days of a discovery of loss of mechanical integrity at a Class II injection well is a violation of 40 C.F.R. § 144.51(l)(6) and EPA UIC Permit No. UT20757-04237.
31. During the times displayed in Attachment A, Rim failed to comply with the loss of mechanical integrity reporting requirements in the permit for the one of the subject Class II injection wells and therefore violated the Act.

E. Excess Injection Pressure

32. The UIC regulations at 40 C.F.R. §§ 144.52(a)(3) and 146.23(a)(1) require and set forth a UIC permit condition establishing a maximum operating surface injection pressure to prevent injected fluids from fracturing the geologic confining zone and entering underground sources of drinking water.

33. EPA UIC Permit No. UT20823-04378 at part II(C)(4) limits the maximum allowable surface injection pressure to 1769 pounds per square inch (psi).
34. Failure to maintain a Class II injection well's maximum surface injection pressure at or below the maximum allowable surface injection pressure is a violation of the regulations at 40 C.F.R. §§ 144.52(a)(3) and 146.23(a)(1), and EPA UIC Permit No. UT20823-04378.
35. During the times displayed in Attachment A, Rim failed to maintain the maximum injection pressure at or below the 1769 psi pressure limit established in EPA UIC Permit No. UT20823-04378 and therefore violated the Act.

PROPOSED ORDER WITH ADMINISTRATIVE CIVIL PENALTY

36. Pursuant to section 1423(a) of the Act, 42 U.S.C. § 300h-2, and based on the foregoing findings, after taking into account: (1) Respondent's alleged violations are serious and a threat to human health and the environment; (2) Respondent gained an economic advantage over its competition by virtue of its late mechanical integrity demonstration and reporting violations; (3) EPA is unaware that Respondent has a history of violations such as these alleged in the complaint; (4) EPA is unaware of good faith efforts by Respondent to comply with applicable UIC regulations; (5) EPA has no basis to believe that the proposed penalty is one which would have a severe economic impact on Respondent; and (6) such other matters as justice may require, **EPA HEREBY**

ORDERS:

37. Respondent shall pay an administrative civil penalty (the "Penalty") in the amount of forty-one thousand eight hundred sixty-five dollars (**\$41,865**) for the violations of the

UIC Program regulations described above. Payment must be made by money order or certified check made payable to "Treasurer, United States of America" and mailed within thirty (30) days of Respondent's receipt of this Order to the following address:

EPA - Region 8
Regional Hearing Clerk
P.O. Box 360859
Pittsburgh, Pennsylvania 15251.

A copy of said check shall be mailed to the following address:

Jim Eppers (8ENF-L)
Enforcement Attorney
U.S. EPA - Region 8
999 18th Street, Suite 300
Denver, Colorado 80202-2466.

38. Respondent shall, no later than 30 days after receipt of this Order, return to compliance all wells currently in violation, as described in Attachment A as "ongoing." To return wells to compliance, Respondent shall submit annual monitoring reports, fluid analyses, and mechanical integrity loss reports as needed.
39. Respondent shall, no later than 30 days after receipt of this Order, develop compliance procedures to ensure all its UIC Class II injection wells remain in compliance with all applicable regulatory and permit requirements, and submit said compliance procedures to EPA in accordance with paragraph 41. The procedures must include, at a minimum, communication among different levels of Respondent's employees and contractors, communication with EPA and the Ute Tribe, posting signs at wellheads as a reminder of operating requirements, and a methodology for ensuring timely and complete reporting, routine and otherwise.

40. Please submit all reports and compliance procedures to:

Nathan Wiser (MC 8ENF-T)
U.S. EPA Region 8
999 18th Street, Suite 300
Denver, CO 80202-2466.

NOTICE OF OPPORTUNITY TO REQUEST A HEARING

41. Under section 1423(c)(3)(A) of the Act, 42 U.S.C. § 300h-2(c)(3)(A), Respondent may request, within thirty (30) days of receiving this Order, a hearing on this matter. Such request (also referred to as “Answer” and defined in 40 C.F.R. §22.15) must be made in writing and must specify the factual and legal issues in dispute and the specific factual and legal grounds for Respondent’s defense(s). At the hearing, Respondent may contest any material fact set forth herein and the propriety of the proposed penalty described above. The procedures for a hearing, if one is requested, are set out in 40 C.F.R. part 22, Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination, or Suspension of Permits, Rule dated July 23, 1999 64 Federal Register 141, a copy of which is enclosed with this Order. If Respondent does not request a hearing, EPA may finalize this Order, thereby assessing the full penalty proposed above.
42. Respondent must send any request for a hearing to:

Tina Artemis
Regional Hearing Clerk
U.S. EPA Region 8, 8RC
999 18th Street, Suite 300
Denver, Colorado 80202-2466.

43. Respondent may confer informally with EPA concerning the alleged violation or the amount of the proposed penalty regardless of whether Respondent requests a hearing. Respondent may be represented by counsel at the informal conference. If a settlement is reached, it will be formalized in a document entitled Consent Agreement and finalized by the issuance of a Final Order by the Regional Judicial Officer. If Respondent wishes to confer informally with EPA, please contact Jim Eppers, Enforcement Attorney, at (303) 312-6893.
44. Respondent is advised that EPA is required to notify the public about this action, and that members of the public have a right under section 1423(c)(3)(B) of the Act, 42 U.S.C. § 300h-2(c)(3)(B), to comment on this matter. Those members of the public who comment will also have the right to present evidence and be heard at any hearing on this matter.
45. EPA will review any comments submitted on the Order and will thereafter determine whether to modify or withdraw the Order or whether to adjust the proposed penalty.

GENERAL PROVISIONS

46. This Order does not constitute a waiver, suspension, or modification of the requirements of EPA UIC Permits UT20731-03797, UT20757-04237, UT20789-04585, UT20823-04378, or 40 C.F.R. parts 144, 146, 147, or any other applicable provision of the Act or the UIC regulations implementing the Act, which remain in full force and effect. Issuance of this Order is not an election by the EPA to forego any civil or any criminal action otherwise authorized under the Act.
47. The provisions of this Order shall apply to and be binding upon Respondent and its respective officers, directors, agents, successors or assigns.

48. Violation of the terms of this Order may subject Respondent to further enforcement action. As described in section 1423(b) of the Act, 42 U.S.C. § 300h-2(b), further enforcement action may include civil judicial action for injunctive relief, with possible civil penalties of up to \$27,500.00 for each day of violation, or criminal penalties, or both.

Issued this 19TH day of September, 2003.

UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY, REGION 8
Complainant.

Michael T. Risner for/
Carol Rushin
Assistant Regional Administrator
Office of Enforcement, Compliance
and Environmental Justice

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the original and one copy of the attached PROPOSED ADMINISTRATIVE ORDER AND OPPORTUNITY TO REQUEST A HEARING were hand-carried to the Regional Hearing Clerk, EPA Region 8, 999 18th Street, Denver, Colorado, and that a true copy of same was sent via Certified Mail, Return Receipt Requested, to:

The Corporation Company
Registered Agent for Rim Offshore, Inc.
1675 Broadway
Denver, Colorado 80202

9/23/03
Date

SIGNED
Judith McTernan

IF YOU WOULD LIKE COPIES OF THE ATTACHMENTS, PLEASE CONTACT THE REGIONAL HEARING CLERK.

THIS DOCUMENT WAS FILED IN THE RHC'S OFFICE ON SEPTEMBER 22, 2003.